

# Document details

< Back to results | 1 of 1

Export Download Print E-mail Save to PDF Add to List More... >

[Full Text](#) View at Publisher

E a M: *Ekonomie a Management*  
Volume 21, Issue 4, 2018, Pages 79-93

## The role of country governance on value-added tax and inequality (Article) [Úloha řízení vlády z hlediska daně z přidané hodnoty a nerovnosti]

Chan, S.-G.<sup>a</sup> ✉, Raml, Z.<sup>b</sup> ✉

<sup>a</sup>University of Malaya, Faculty of Business and Accountancy, Department of Finance and Banking, Malaysia

<sup>b</sup>International Islamic University Malaysia, Kulliyah of Economics and Management Sciences, Department of Finance, Malaysia

### Abstract

View references (48)

Income inequality is a growing concern for regulators because it brings adverse consequences towards social stability, institutional stability and economic performance. One of the popular ways to reduce income inequality is through the implementation of Value Added Tax (VAT) despite of many criticisms on its regressive nature. Hence, using a wide data range from 1984 to 2014, we study the impact of VAT on income inequality in both developed and developing countries. Besides, this is the first study that seeks to focus on the moderating role of country governance in enhancing the effect of VAT on income inequality. We use the Generalized Method of Moments (GMM) to overcome the endogeneity, autocorrelation and heteroscedasticity issues. The results suggest that the VAT reduces income inequality but the positive effect is contingent upon the existence of a set of good country governance. Countries that have higher quality of bureaucracy, greater democratic accountability, high government stability, effective law and order, low political risk and favourable socioeconomic conditions stand to benefit more from the VAT system in terms of narrowing the income inequality. Therefore, we conclude that better institutions improve the tax collection and public service delivery, which is a crucial element in achieving the economic objective of narrowing the income gap between the wealthy and the poor. This is particularly true in developing countries. Further, the governments in developing countries need to effectively manage the degree of socioeconomic pressure that could distract them from implementing social and economic policies to eradicate poverty and raise the income level of the poor segment of society. © 2018, Technical University of Liberec. All rights reserved.

### SciVal Topic Prominence ⓘ

Topic: taxes | VAT | economic growth

Prominence percentile: 63.499 ⓘ

### Author keywords

Country governance Generalized Method of Moments (GMM) Income inequality Tax distribution Value added tax

### Funding details

Funding sponsor	Funding number	Acronym
Ministry of Higher Education, Malaysia		MOHE

Foundation for Fundamental Research on Matter FP034-2014B FOM

**NEW!** SciVal Topic Prominence is now available in Scopus.

Funding text Which Topic is this article related to? View the Topic.

### Metrics ⓘ

0 Citations in Scopus

0 Field-Weighted  
Citation Impact



### PlumX Metrics

Usage, Captures, Mentions, Social Media and Citations beyond Scopus.

### Cited by 0 documents

Inform me when this document is cited in Scopus:

[Set citation alert >](#)

[Set citation feed >](#)

### Related documents

The effect of the quality of governance on income distribution: With an emphasis on Iran and selected countries neighboring Turkey and Pakistan

Khosroabadi, M.  
(2016) *International Business Management*

Corruption, governance and tax revenues in Africa

Epaphra, M. , Massawe, J.  
(2017) *Business and Economic Horizons*

Is there a trade-off between income inequality and corruption? Evidence from Latin America

Dobson, S. , Ramlogan-Dobson, C.  
(2010) *Economics Letters*

View all related documents based on references

Find more related documents in Scopus based on:



ISSN: 12123609

Source Type: Journal



Original language: English

DOI: 10.15240/tul/001/2018-4-006

Document Type: Article

Publisher: Technical University of Liberec

## References (48)

[View in search results format >](#)
☐ All   [Export](#)    [Print](#)    [E-mail](#)   [Save to PDF](#)   [Create bibliography](#)

- ☐ 1 Adams, S., Klobodu, E.K.M.  
Financial development, control of corruption and income inequality  
(2016) *International Review of Applied Economics*, 30 (6), pp. 790-808. Cited 2 times.  
<http://www.tandf.co.uk/journals/titles/02692171.asp>  
doi: 10.1080/02692171.2016.1208740  
[View at Publisher](#)
- ☐ 2 Aizenman, J., Jinjark, Y.  
The collection efficiency of the Value Added Tax: Theory and international evidence  
(2008) *Journal of International Trade and Economic Development*, 17 (3), pp. 391-410. Cited 26 times.  
doi: 10.1080/09638190802137059  
[View at Publisher](#)
- ☐ 3 Ajaz, T., Ahmad, E.  
The effect of corruption and governance on tax revenues  
(2010) *Pakistan Development Review*, 49 (4), pp. 405-417. Cited 5 times.  
[View at Publisher](#)
- ☐ 4 Akram, Z., Wajid, S., Mahmood, T., Sarwar, S.  
Impact of Poor Governance and Income Inequality of Poverty in Pakistan  
(2011) *Far East Journal of Psychology and Business*, 4 (3), pp. 43-55. Cited 3 times.
- ☐ 5 Atkinson, T.  
(1991) *Modern Public Finance*. Cited 6 times.  
Aldershot, UK: Edward Elgar
- ☐ 6 Avi-Yonah, R.  
Taxation and Inequality: A Case for the VAT  
(2014) *Challenge*, 57 (3), pp. 97-104. Cited 2 times.  
<https://dx.doi.org/10.2753/0577-5132570305>
- ☐ 7 Bánociová, A.  
The analysis of value added tax in the Slovak Republic  
(2009) *E a M: Ekonomie a Management*, 12 (4), pp. 104-115. Cited 6 times.

**NEW!** SciVal Topic Prominence is now available in Scopus.

Which Topic is this article related to? [View the Topic.](#)